

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

DOCKET NO. 97-591

NOVEMBER 25, 1997

PUBLIC UTILITIES COMMISSION
Inquiry into the Continued
Implementation and Operation of
Energy Conservation Programs in
a Restructured Electric Industry

NOTICE OF INQUIRY

WELCH, Chairman; NUGENT and HUNT, Commissioners

I. SUMMARY

In this Notice, we initiate an inquiry to obtain information on the future implementation and operation of energy conservation and load management programs and on processes to select providers of such services.

II. BACKGROUND

The Legislature recently enacted legislation¹ that provides for retail competition beginning March 1, 2000 and, among other things, requires transmission and distribution (T&D) utilities to implement energy conservation programs. The Commission must adopt rules governing T&D utility selection of energy efficiency service providers through periodic competitive bidding programs. The cost of such programs are to be included in the rates of T&D utilities. The Act requires the Commission to establish a reasonable level of funding for such programs comparable to the amounts expended for similar programs in 1999. The Commission is required to regularly review the amount of funding needed for such programs. See 35-A M.R.S.A. § 3211.

III. ISSUES FOR COMMENT

To inform this effort, we ask interested persons to respond to the following questions. In addition, we seek comments on any other relevant issues not covered in response to the questions.

¹ "An Act to Restructure the State's Electric Industry" (Act), P.L. 1997, ch. 316.

A. Program Funding Levels

1. Recent Spending. Investor Owned Utilities (IOUs) and Consumer Owned Utilities (COUs) should provide the Commission a table showing the amount of annual spending (if any) on energy conservation programs for each year since 1990. Please include the following information:

- a. annual levels of spending on utility-sponsored programs;
- b. annual levels of spending on performance contracting programs with energy service companies; and
- c. the expected amount of annual spending remaining on such contracts and the amortization schedule for such.

2. Periodic Review. The Act requires the Commission to establish a reasonable level of funding for conservation programs comparable to the amount expended for similar programs in 1999 and to regularly review the amount of funding needed. Please comment on the following:

- a. how should the Commission determine the "amount expended for similar programs in 1999";
- b. how often should the Commission review funding levels for conservation programs; and
- c. what criteria should be used during reviews to establish the appropriate levels of funding?

3. Accounting. How should T&D utilities account for the costs of energy conservation programs? Are there ways to eliminate or minimize T&D utility revenue losses that might result from operating such programs? Please be specific.

4. Allocation of Energy Conservation Program Funding. After the funding for energy conservation programs has been established, a number of resource allocation questions remain:

- a. should energy efficiency expenditures be allocated among customer classes? If so, how should the funds be allocated;

- b. should RFPs from bidders specify the amount of energy conservation to be acquired from each customer sector or should the funding levels for customer classes be pre-specified;
- c. should some, or all of the energy conservation program funding be directed specifically towards low income customers? If so, how should the amount be determined; and
- d. should there be any limitations placed on which groups of customers can participate in energy conservation programs, and if so which groups should be barred from participation and why?

B. Type of Programs

Historically, energy conservation programs have been rebate and incentive programs, directed at acquiring economic energy conservation identified through integrated resource planning. More recently designed programs attempt to influence customer behavior by focusing on transforming the markets for energy efficiency products.

1. Rebate and Incentive Programs. Should traditional rebate and incentive energy conservation programs be maintained after Maine's electric utility industry is restructured? If so:

- a. why;
- b. can incentive and rebate programs be operated through a competitive bid format as required by the Act; and
- c. how should the Commission or the T&D utilities determine which energy efficiency technologies to encourage through rebate and incentive programs?

2. Market Transformation Programs. Should energy conservation programs be strategically focused on transforming markets to make high efficiency products and technologies more readily available to consumers? If so:

- a. please describe how such programs can be implemented through the competitive bidding approach directive in the Act;
- b. how should market transformation programs be encouraged if they cannot be implemented through competitive bidding;
- c. how should the Commission decide which markets require transformation; and
- d. what type of evaluation mechanism can be used to determine when the relevant markets have been transformed?

3. Combined Approach. Should energy conservation be implemented through a combination of traditional incentive programs and market transformation activities? If so:

- a. how should funding levels be allocated between the two program types;
- b. should periodic energy conservation program funding reviews also review the allocation of funds between market transformation and incentive program efforts; and
- c. are there certain energy efficiency technologies or markets which are served better by one approach or the other?

4. Load Management Programs. The Commission is interested in comments on the continued operation of load shedding and peak clipping programs².

- a. should such programs continue to be funded and operated by the regulated distribution utilities to optimize the operation of their T&D systems? If so, what type of performance standards should apply to them;

² These programs are not directed at saving energy, their purpose is to reduce demand (kW) levels on either generation or T&D equipment.

- b. will unregulated Load Serving Entities (LSEs) offer demand management (e.g. interruptible power) as a means of minimizing their generation costs; and
- c. if the answers to (a) and (b) are yes, please comment on whether and how the efforts of regulated T&D utilities those of the unregulated LSEs should be coordinated?

C. Bidding

The Act requires transmission and distribution utilities to select energy efficiency providers through a competitive bidding process.

1. Ranking of Bids. By what criteria should the transmission and distribution utilities rank bids for the provision of energy efficiency services? Should the selection criteria be:

- a. the greatest amount of energy conservation for a specified funding level regardless of cost effectiveness considerations;
- b. the greatest amount of cost effective energy conservation (somehow defined) within a specified funding level;
- c. should T&D company affiliates be allowed to bid to provide energy conservation program services in their own service territories? If so, please comment on the type of provisions that should be in place to assure equal treatment for all bidders; and
- d. what type of cost effectiveness analysis, if any, should be used to determine the value of energy conservation program bids?

Interested persons may participate in this inquiry by filing a letter stating their interest in this proceeding no later than December 9, 1997. The letter should be addressed to Dennis L. Keschl, Administrative Director and include the docket number, Docket No. 97-591. The Commission will then issue a service list. All subsequent filings must be served to all interested

parties on the service list. Interested persons may file substantive comments by December 22, 1997. Upon review of the comments, we may convene a meeting with parties to discuss comments received. We will initiate a formal rulemaking before March 30, 1998.

Accordingly, we

O R D E R

1. That an Inquiry shall be opened as described in the body of this Notice;
2. That this Notice shall be sent to all electric utilities in the State of Maine;
3. That this Notice shall be sent to the service list of electric restructuring, Docket No. 95-462;
4. That this Notice shall be sent to the service lists of Docket No. 92-345; Docket No. 95-598; Docket No. 96-598; and
6. That this Notice of Inquiry will also be posted on the Commission's website, <http://www.state.me.us/mpuc>

Dated at Augusta, Maine this 25th day of November, 1997.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Acting Administrative Director

COMMISSIONERS VOTING FOR: Welch
Ngent
Hunt